

Message Text

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TO AMEMBASSY STOCKHOLM

C O N F I D E N T I A L STATE 278464

FOR ASSISTANT SECRETARY ENDGERS

FOLLOWING TELEGRAM FROM KUWAIT DATED NOVEMBER 24, 1975
SENT SECSTATE WASHDC INFO ABU DHABI, ALGIERS, BIERUT, DHAHRAN,
DOHA, JIDDA, LONDON, MANAMA, MUSCAT, OTTAWA, TEHRAN, OECD PARIS,
BAGHDAD IS REPEATED TO YOU: QUOTE

C O N F I D E N T I A L KUWAIT 4932

E.O. 11652: GDS

TAGS: ENRG KU

SUBJECT: INDEPENDENT REFINERS SEEKING KUWAIT CRUDE

REF: KUWAIT 4849

1. DURING LAST WEEK THREE SEPARATE REPS OF US INDEPENDENT
REFINERS CALLED ON EMBOFFS TO DISCUSS PROSPECTS OF THEIR
BUYING KUWAITI CRUDE. VISITORS INCLUDED ASHLAND OIL COMPANY
MIDDLE EAST REP, OFFICIAL OF AMEREX INTERNATIONAL OF TULSA,
OKLAHOMA AND WASHINGTON BASED CONSULTANT. LATTER TWO
VISITORS WERE LOOKING INTO POSSIBLE KUWAIT OIL PURCHASES ON
BEHALF OF INDEPENDENT REFINERS IN US MIDWEST, INCLUDING
REFINERS ASSOCIATED WITH LARGE FARMER COOPERATIVES.

2. IN ALL THREE CASES, VISITORS INFORMED EMBOFFS THAT EITHER
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US OR CANADIAN TRADITIONAL SOURCES OF CRUDE WERE NO LONGER

ABLE TO ASSURE SUPPLY, AND THEREFORE PRESSURE BUILDING TO OBTAIN CRUDE FROM OTHER, MOST PROBABLY MIDDLE EASTERN SOURCES. ASHLAND REP CONFIRMED EMBASSY ALGIERS REPORT (FROM SAME SOURCE) THAT ENTIRE ALGERIAN OUTPUT COMMITTED FOR NEXT YEAR. HOWEVER, HE PROFESSED TO FIND STORY HARD TO BELIEVE. WASHINGTON CONSULTANT REPRESENTING GROUP ASSOCIATED WITH FARMER COOPERATIVES SAID HE ATTEMPTING BARTER US GRAIN FOR OIL. HE ADDED, HOWEVER, THAT IN ABU DHABI AND AT PETROMIN IN SAUDI ARABIA HE WAS TOLD BY OIL OFFICIALS THEY NOT AUTHORIZED TO DISCUSS SUCH ARRANGEMENTS.

3. IN OUR DISCUSSIONS WITH TULSA BROKER AND WASHINGTON CONSULTANT WE EXPLAINED THAT UNTIL NOW GOK HAS SOLD OIL ONLY FOR CASH AND ONLY TO RECOGNIZED OIL COMPANIES, INCLUDING WELL KNOWN INDEPENDENTS AND NATIONAL COMPANIES. MOREOVER, ASSUMING MAJOR OIL SALES AGREEMENTS REACHED WITH GULF, BP, SHELL AND OTHERS, THERE VERY LITTLE PRESSURE ON GOK TO MAKE EXCEPTIONS TO TRADITIONAL POLICY. THEY OBSERVED THAT IF GULF/BP TALKS SHOULD FAIL, HOWEVER, SITUATION COULD CHANGE.

4. COMMENT: MOOD OF THESE VISITORS CONTRASTS WITH THOSE OF REPRESENTATIVES OF MAJORS WHO HAVE BEEN BARGAINING WITH GOK. MAJORS ARE ARGUING THAT KUWAIT CRUDE IS OVERPRICED EVEN AT \$11.30, AND WE THINK MINISTRY OF OIL OFFICIALS HAVE BEEN CHASTENED BY SHELL MARKET ANALYSIS AND OTHER INPUTS BY MAJORS. MOOD OF INDEPENDENTS HOWEVER IS THAT BEFORE LONG THEY WILL BE IN EXTREMELY DIFFICULT SITUATION, ALTHOUGH IT MUST BE ADMITTED THEY ALSO ARE BALKING AT \$11.30 PRICE. ASHLAND REP INDICATED THAT INDEPENDENTS WORKING ON ONE YEAR CONTRACTS WILL HAVE TO MAKE DECISIONS AND LINE-UP OIL BEFORE END OF YEAR. ALL THREE VISITORS SEEMED TO BE GENERALLY NERVOUS AND PESSIMISTIC. ALTHOUGH WE REALIZE THAT AMOUNTS DESIRED BY INDEPENDENT REFINERS IS SMALL COMPARED TO VOLUMES LIFTED BY MAJORS, WE WONDER WHETHER THEIR VIEWS WILL BE INTERPRETED BY GOK AS EVIDENCE THAT MARKET SITUATION MAY NOT BE AS BAD AS MAJORS PORTRAYING. IF SO GOK MAY STIFFEN ITS POSITION ON PRICE COMPARED TO RELATIVE SOFTENING EXHIBITED OVER LAST FEW WEEKS. STOLTZFUS UNQUOTE INGERSOLL

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